

## THIRD REPORT

ON

## THE PHILADELPHIA GAS TRUST.

## CITIZENS' MUNICIPAL REFORM ASSOCIATION.

ROOMS OF THE EXECUTIVE COMMITTEE, No. 711 SANSOM ST.,  
Philadelphia, June 15th, 1874.

*To the Executive Committee of the Citizens' Municipal Reform Association.*

Your Committee on the Condition and Management of the Gas Trust respectfully begs leave to present a further report.

After six weeks' incubation, the Gas Trust has at length brought to light a defence intended to diminish the force of the damaging facts presented in the previous reports of your Committee. It is welcome as the first acknowledgment by the Trust that it is responsible at the bar of public opinion for the proper discharge of its duties, but is otherwise remarkable only for the extreme caution with which it withholds information that would throw light upon the points raised by your Committee. Those points were definitely stated; the figures were given in full detail, and could only be met in the same way. The Trust informs us that its books "are kept in such a manner that information can be furnished at any time to responsible parties of the cost of any improvement or any expenditure made by the department," and it is therefore fair to presume that after six weeks' labor the present statement presents all that it can venture to reveal in its defence. Under such circumstances its omission to notice nearly all matters alleged against it and its vague and inconclusive denials of positive facts drawn from its own statements are the best justification of your Committee. But for its inconvenient length your Committee would reprint the document with this report, as the most conclusive evidence of the incapacity of the Trust to vindicate itself. In fact the only error which six weeks' labor has enabled the Trust to discover in your Committee's Reports is the trivial one of overlooking the statement that the coal accounts of the Trust are kept in net tons—an error leading to no incorrect results, as they were assumed to be so upon other grounds.

It is not pleasant to reflect that a property which the Trustees value at twelve millions of dollars, and a business of over four millions per annum, are abandoned to the control of an irresponsible body whose incompetence is thus self-confessed.

That this inability to rebut the evidence adduced by your Committee is absolute, is shown by the labored effort to explain a trifling difference of \$3872.77 between the payment for public lighting as stated by the City Treasurer, and as acknowledged by the Gas Trust—a matter of minor importance, barely alluded to by your Committee as an instance of the unintelligibility of the gas reports. The anxiety manifested to explain this shows that if the really serious allegations made were susceptible of defense they would have been treated in full, and that their being passed over in silence or vaguely denied is not the result of indifference or consciousness of being in the right.

The Trust seemingly takes to heart the assertion that their annual reports are unintelligible. Your Committee gave the name of one gas expert who publicly proclaimed them so, and could easily add many others if it were worth while uselessly to drag into this controversy the names of eminent gentlemen merely to gratify the curiosity or malevolence of the Trust, when it admits that so simple a matter as its entry of cash received for street lighting requires so long an explanation. Perhaps it can give an equally satisfactory elucidation of the fact that its statements of balances in the sinking funds are utterly at variance with the balances reported by the Sinking Fund Commissioners, as a comparison between the report of the Commissioners and of the Gas Trust for Jan. 1, 1874, will show—

			Gas Trust. Balance to be invested, Jan. 1, 1874.	Commiss. of Sinking Fund. Cash balance, Jan. 1, 1874.
Sinking Fund of Loan 10	.	.	\$11,584.61	\$56.61
" " " 11	.	.	10,086.06	37.56
" " " 12	.	.	15,237.61	68.61
" " " 13	.	.	12,784.15	42.15
" " " 14	.	.	11,696.50	31.50
" " " 15	.	.	4,623.38	68.38
" " " March 20, 1855	.	.	14,003.85	11.85
Totals,			\$80,016.16	\$316 66

No doubt this little difference of \$79,699.50 was in safe hands somewhere and eventually reached the Commissioners, but evidently it was not in the Sinking Fund on January 1, 1874, so that, to this extent at least, it is no injustice to the Trust to style their last report "unintelligible."

The Trust appears to labor under the curious hallucination that because an abuse can be shown to have existed for twelve years, its continuance during the last nine is satisfactorily justified. Its main line of defense, therefore, consists in showing that the mismanagement complained of is of old standing, and when its attention is called to  $16\frac{1}{3}$  per cent. of "leakage" in 1867, to  $15\frac{2}{3}$  per cent. in 1869, and to  $13\frac{1}{3}$  per cent. in

1872, it triumphantly points to less than 9 per cent. in 1862 and 1863, as though this were a sufficient answer. Considering that the President of the Trust, in his "Inquirer" defence, stated that "When I went into the Trust (January, 1865) I never saw, in all my life, matters in such a confused state, but things were soon in working order, and have continued so up to the present time," it is difficult to understand the fatuity which would induce him to sign his name to a document in which the condition of the Trust anterior to 1865 is adduced as a justification for a worse condition in 1873 and 1874. All this, however, has little interest except as demonstrating the helpless incapacity of the Trust to put forth a valid defence.

In its absolute dearth of material with which to sustain itself the Trust puts forth elaborate calculations to prove that the gas works in New York, Boston, and Cincinnati realize a larger profit per ton of coal carbonized than is done in Philadelphia, apparently under the delusion that in some unexplained way this is a justification. If works, which pay heavy taxes and dividends of from 10 to 25 per cent. per annum, make handsome profits, the comparison is only so much the worse for the Trust. What is complained of is that Philadelphia, with her unequalled advantages, does not realize enough, and that if the Trust would follow the example of the gas works which it cites, in buying its supplies as cheaply as possible and conducting its operations economically, it would realize greater profits, which would result in either liquidating the debt or supplying the community with cheaper and better gas. Thus the figures adduced by the Trust only add one more count to the indictment against its management.

Your Committee, when investigating the subject of street lighting, called attention to the extravagant consumption of gas as reported for the public lamps, showing eight feet per hour, though the burners only average five feet. As usual, the only answer which the Trust has to make is to assert that the reports in 1861, 1862, and 1863 showed a consumption even larger. This virtual confession would not be worth special reference, if it did not happen to reveal an instance of the customary unfairness of the Trust. Your Committee, in the absence of any official statement of the hours of lighting, was forced to assume 3830 hours per annum, based on the time tables of New York and Boston, which are 3833 and 3828 respectively. To this, the President of the Trust, in his previous defence, took exception, asserting that "we light every lamp in the city during the entire night, and no other city does this." It is, therefore, curious to observe that the Trust now gives the number of feet per lamp as 31,041, and the consumption per hour at  $8\frac{1}{6}$  feet, which proves that according to its own calculations the number of hours per annum is only 3800. Thus the estimates adopted by your Committee are shown to have given the Trust credit for more hours than it was entitled to, while the President of the Trust is reduced to the humiliating alternative of confessing that his statement to the "Inquirer" was the result either of ignorance or intentional deception. Possibly it

may interest him to learn that Cincinnati likewise lights her public lamps "the whole night" with a time-table of 3830.55 hours, and at a cost to the city of only \$33.70 per lamp.

Having thus briefly disposed of what the Trust has seen fit to say, your Committee proceeds to consider what it has seen fit to leave unsaid. This may be best accomplished by summarily reeapitulating the prineipal matters alleged in preeeding reports and seeing whether they have been met or explained. In this it is perfectly fair, in view of the length of the Trustees' defence and the time taken for its preparation, to assume that for matters which they have passed over in silence, there are no possible grounds of palliation, and that our allegations are admitted. The following, then, is a condensed recital of what has been alleged.

The sessions of the Board are held in secret.—Not denied.

Its aeeounts are never audited by any one outside of its organization.—Not denied.

It habitually does not advertise for proposals.—Admitted.

It selects the parties invited to eompete for contraets.—Admitted.

It does not allow the public to know who are invited and what proposals are accepted or rejected.—Not denied.

It pays greatly more for coal than gas works less favorably situated.—Admitted.

It gives to the publie vague and imperfect information of its operations. Justified on the ground that this has long been the practice of the Trust.

The item of "Sundries and Carriage Hire," \$4806.36 covers "refreshments" eonsumed by the Board.—Not denied.

It eost the Trust in 1873 over \$1.80 per 1000 feet to manufaeture and deliver gas.—Not denied.

The Northern Liberties Gas Company supplies the city with gas at \$1.15 per 1000.—Not denied.

The Northern Liberties Gas Works labor under great disadvantages in comparison with the Gas Trust.—Not denied.

Yet they can afford to supply gas to the street lamps at one-half the price charged by the Trust.—Not denied.

The Trust ought therefore to be able to manufaeture gas at much less than it now costs.—Not denied.

The eity pays to the Trust \$55.50 per annum for every street lamp.—Not denied.

New York pays for street lamps only \$33.00 per annum.—Admitted.

The Trust pays for the Northern Liberties street lamps \$44.62 $\frac{1}{2}$  and charges the city \$55.50 for them.—Not denied.

In spite of the assertions of the President the street lamps here are lighted a less number of hours than in New York and Boston.—Admitted.

The burners in the street lamps will not average over 5 feet per hour.—Not denied.

Yet the Reports assert that they burn eight feet per hour.—Admitted. And that the new lamps set in 1873 have burned 21 feet to the hour.—Not denied.

The statements in the Reports are consequently incorrect and unreliable.—Justified by asserting that they have been so for many years.

The Trust ought to realize a profit of over two hundred thousand dollars a year from its contract with the city for street lighting.—Not denied.

The Trust ought to realize a profit of \$800,000 per annum more than it does on its whole operations.—Denied by implication, but no proof offered.

The average "leakage" for eight years ending with 1854, was only  $1\frac{1}{2}$  per cent. of the production.—Not denied.

The average "leakage" for eight years ending with 1872, was about 14 per cent. of the production.—Admitted.

A decrease of "leakage" reported for 1873 is doubtful.—Not denied.

"Leakage" really means gas unaccounted for.—Admitted.

Embezzlements by employees of the Trust could be covered up under this head.—Not denied.

Clerks discharged for embezzlement have not been prosecuted.—Not denied.

The profits on the business of making and selling gas for the last twenty years have really been made out of the city treasury.—Not denied.

The quality of gas supplied to consumers at night is variable.—Not denied.

The purification of gas is defective, especially with respect to ammonia.—Not denied.

With proper care the ammonia might be separated from the gas and converted into a source of revenue.—Not denied.

The ammonia allowed to remain in the gas is damaging to meters and gas fixtures and injurious to the health of consumers.—Not denied.

The Trust manufactures no gas pure enough to pass the ordinary inspection in London.—Not denied.

An inspection of gas by some one disconnected with the Trust, and penalties for deficiency in quality, are necessary for the protection of the community.—Not denied.

In 1867, the Trust held out the expectation that its profits would pay off its debt, and the works would then be delivered to the city.—Not denied.

Yet since 1867, the net amount of its indebtedness has been nearly doubled.—Not denied.

Though it cost the city during 1873, for exempted taxes and lighting, \$612,183.06.—Not denied.

And there is no present prospect that the city will ever be relieved from its demands for additional loans at shortly recurring intervals.—Not denied.

While the peculiar advantages of the monopoly enjoyed by the Trust are such that capitalists could be found to assume its indebtedness, pay nine millions of dollars, protect the interests of the consumers, and make a handsome profit.—Admitted.

Consequently, the loss to the city by reason of the existence of the Trust is now 6 per cent. on \$9,000,000, or \$540,000 per annum.—Not denied.

Appointments in the service of the Trust are made for political rather than for business reasons.—Not denied.

The number of men employed by it as political partisans is considerably greater than is required for its legitimate purposes.—Not denied.

It consequently is diverted from its proper functions to become a political engine of vast influence.—Not denied.

The Trust in 1866 permitted its officers to refuse to testify before a committee of Select Council and justified them for the refusal.—Not denied.

The Trust has ample funds on hand to make all necessary extensions of street mains and service pipes.—Not denied.

It is, therefore, not justified in refusing these accommodations to the community.—Not denied.

Having thus recapitulated the matters in which the Trust does not offer evidence to controvert the statements heretofore made by your Committee, we may consider in greater detail the two questions of most immediate importance which have been suggested in this discussion.

### Purchasing Supplies.

The Trust admits that it does not advertise for proposals in the purchase of supplies amounting to about two millions of dollars per annum, but that it selects the purveyors and enters into contracts, the details of which are unknown to any but itself and the parties so favored. Your Committee in its Second Report asked for the prices paid for pipes, fire-brick, and retorts, but the Trust has seen fit to withhold the information, though its concealment is scarcely compatible with the assurance that these transactions would bear investigation. We are, therefore, obliged to confine ourselves to the single question of coal, on which the market quotations have enabled your Committee to make such statements as have forced the Trust to enter into details.

From these details it appears that the Trust is paying for its supplies for the present year \$7.00 per net ton delivered in West Philadelphia, and \$7.30 delivered at the Point Breeze Works. The Trust further asserts its knowledge of the fact that the Boston companies can purchase the same coal, delivered at the Greenwich terminus, nearly three miles beyond Point Breeze, at \$6.25 per gross ton, equivalent to \$5.58 per net ton, being \$1.72 less than the Trust pays. And further, that the New York companies can buy the same coal delivered on their own premises in New York at \$6.69 per net ton, or 61 cents less than the Trust pays for it at Point Breeze, nearly a hundred miles nearer the mines. That the Trust should put forward these disgraceful figures in self-justification would seem to argue a helpless impotency beyond the reach of reasoning. Yet not only does it do so, but it is so lost to all recognition of the duty which it owes to the community to

defend us from such imposition, that it sneeringly invites the Reform Association to step forward and endeavor to break down the system of "drawbacks," which it alleges to be the cause of these wrongs.

These "drawbacks" are a mystery not easy to reduce to a tangible shape. In the Gas Report of January, 1866, the Trust complained of them, and said that on the 90,000 tons of Westmoreland and Penn gas coal consumed in 1865 this adverse discrimination had made the city pay over \$75,000 more than eastern buyers, which would show that the Pennsylvania Railroad then allowed a drawback of 84 cents per ton on coal shipped beyond Philadelphia. Yet in the following year, 1867, when a committee of the Legislature investigated the subject of "Alleged Extortionate Charges by the Railroad Companies of the State," Mr. F. H. Jackson, the Secretary and Treasurer of the Westmoreland Company, testified under oath that "It was seldom they (the Pennsylvania Railroad) did it (allowed drawbacks), and for several years they have not allowed any. . . . There certainly has not been any for three years; I cannot recollect any now, for, I should say, five or six years. . . . I cannot state the amount; at one time I know we were shipping coal to the Manhattan Gas Company, in New York, and to New England companies, and the drawback on the coal shipped to them that year, I think, was 20 cents a ton, but cannot say positively without referring to the books." As for the current year, 1867, he testified "I feel certain there is none; we sell coal where we can; we don't report to the Pennsylvania Company where we sell coal." So in the sworn testimony of Mr. R. H. Gratz, then President of the Penn Gas Company. Q. "Are you allowed any drawback for coal beyond Philadelphia?" A. "No, sir." Q. "Have you been allowed any at any time?" A. "Yes, sir: some years ago we were allowed a drawback for shipments east and south. I cannot fix the date; it was some three or four years ago; I think it was 20 cents a ton." Again, in the examination of Mr. Alexander L. Massey, Secretary of the Penn Gas Company. Q. "Are you allowed any drawbacks on that?" A. "No, sir." Q. "Are you paid back any amount of the sums you pay?" A. "No, sir." Q. "Do you receive any drawbacks for repairs of cars?" A. "No, sir." Q. "During 1866 did you receive any drawbacks or return money?" A. "No, sir." And, finally, Col. Thomas A. Scott, then Vice-President of the Pennsylvania Railroad, swore "Some years ago the Company allowed drawbacks on shipments, as did a great many of its competitors, and I am happy to say that the system has been abolished, so far as the Pennsylvania Company is concerned, by resolution of its Board of Directors." Q. "Since what period?" A. "I cannot tell you; I think it is several years."

Thus, we are logically reduced to the dilemma that either official representatives of these companies, in concert, deliberately perjured themselves, or else that the Gas Trust was under a delusion in supposing that in 1865 Philadelphia was discriminated against to the extent of 84 cents per ton. Thinking that the Trust might possibly still be laboring under a similar

delusion, your Committee adopted its suggestion of seeking the facts from the Pennsylvania Railroad Company, by a letter which, with the reply, will be found below.<sup>1</sup> That reply does not furnish direct answers to most

<sup>1</sup> CITIZENS' MUNICIPAL REFORM ASSOCIATION,

Office of the Executive Committee,  
No. 711 Sansom St., June 6, 1874.

Hon. THOMAS A. SCOTT,  
*President Pennsylvania R. R. Co.*

DEAR SIR: In an Address to the Citizens, published in this morning's papers, the Gas Trust refers me to the Pennsylvania R. R. Co. for information as to freights and drawbacks on gas coal. This must serve as my excuse for troubling you with the following inquiries.

I am informed that last year your published rates of freight from Irwin's or Penn Station to West Philadelphia, per ton of 2000 lbs., were, from January 1 to March 1, \$5.00, in company ears, and \$4.00 in individual ears; from March 1 to July 1, \$5.40 and \$4.40, respectively; from July 1, 1873, to the present time, \$5.00 and \$4.00. Is this correct, and are these the rates that have been during these periods likewise charged on coal delivered at the Delaware terminus, at Greenwich?

I am further informed that last year there was a drawback allowed on said coals of 64 cents per ton. Was this so, and did it apply to coal delivered for consumption in this city, as well as to that shipped beyond Philadelphia? Also, is there a drawback now allowed, and if so, what is the amount, and under what conditions?

Will you further inform me what was the rate of freight paid by the Westmoreland, Penn Gas, and Shafton Coal Companies, per ton of 2000 lbs. during the years 1871 and 1872 for coal delivered here for consumption, and for that shipped beyond Philadelphia; and what drawbacks, if any, were allowed?

Of course you will understand that this information is desired for public use.

An answer at your early convenience will much oblige

Your obedient servant,  
HENRY C. LEA,  
*Chairman.*

PENNSYLVANIA RAILROAD COMPANY,

Office of the General Manager,  
Philadelphia, Pa., June 9, 1874.

Hon. THOMAS A. SCOTT, Esq., *President.*

DEAR SIR: In reply to the inquiries made in Mr. Henry C. Lea's letter to you of the 6th inst., I beg to say that the rate from Penn, Irwin's, or Shafton to Philadelphia, on coal consigned to the Philadelphia Gas Works is, and has been for several years past, five dollars per net ton, in ears of this company, and four dollars per net ton in ears owned by the Coal Companies.

No drawbacks or rebates have been paid on coal consigned to the Philadelphia Gas Works.

The only drawbacks that have been paid on gas coal, were such as the competition of West Virginia and Provincial coals made it necessary to allow, from time to time, on coal delivered at Greenwich for trans-shipment into vessels.

Yours, respectfully,  
A. J. CASSATT,  
*General Manager.*

*Endorsed:* Respectfully referred to Henry C. Lea, Esq., Chairman, etc.

THOMAS A. SCOTT, *President.*

of the questions asked, but yet it is sufficient to establish two important facts. First, that rates of transportation for years past have been unchanged and have been such as to enable the Trust, had it seen fit, to purchase at much lower prices than it has paid; and second, that Philadelphia is recognized by all parties concerned as a place where no competition is to be dreaded from any quarter, while New York is a market inviting and not repelling competition, thus obtaining its supplies at reasonable figures.

It rests solely with the Gas Trust, which is perhaps the largest buyer of gas coals in the United States, to put an end to this state of affairs, so disgraceful to itself and so costly to the community. It cannot but know that the prices it pays are far beyond what are requisite to yield a fair profit to the sellers even under the adverse discrimination thus admitted to exist against Philadelphia, and it cannot but know that it could any day invite such competition in "West Virginia and Provincial coals" as would speedily make Philadelphia again a competing point, and give to us the benefit to which our geographical position entitles us.

The first of these propositions is susceptible of the easiest demonstration. At existing rates of production and transportation, as your Committee is informed, the cost of laying down a net ton of gas-coal at West Philadelphia is as follows:—

Cost per ton of 2000 pounds to mine . . . . .	\$ .90
Freight in individual cars, Penn Station to West Philadelphia . . . .	4.00
Cost of car repairs, and interest on car investment . . . . .	.45
Cost of coal per 2000 pounds delivered at West Philadelphia . . . .	<u>\$5.35</u>

Now Mr. Gratz, the late President of its present purveyor, the Penn Gas Coal Company, in his evidence alluded to above, swore that a contract with the Trust which would yield 25 cents per ton profit "was a very good contract." This was perhaps rather too modest an estimate, but any coal operator will admit that 50 cents per net ton is an exceedingly lucrative business. Adding 50 cents, then, to the above estimate of cost, and we have \$5.85 per ton as yielding a profit that would satisfy the owners of thousands of acres of lands of the best gas-coal. But the Trust is paying this year \$7.00 per net ton for 200,000 tons to the Penn Gas Coal Company, showing that somebody is making \$1.15 per ton more than a liberal business profit, and \$1.40 more than the President of the Company swore was satisfactory.

Possibly the Trust may defend itself by alleging that there is a combination between the gas-coal companies doing business over the Pennsylvania Railroad which forces it to submit to these extortionate prices. This leads us to consider our second proposition, viz., that the Trust is solely responsible for the absence of such competition as would not only break down any possible combination, but would force the Pennsylvania Railroad to treat Philadelphia as a competing point, and not as a place of whose trade it owns a monopoly.

The Trust repels, with more heat than betokens a consciousness of rectitude, the assumption by your Committee that it has rebuffed rather than encouraged the natural competitors of the Westmoreland companies, and it even so far loses its sense of propriety as to characterize as an "immittigated falsehood" your Committee's allusion to a West Virginia coal which could not obtain a trial, and which when tested at the Manhattan Works found an immediate demand. There are doubtless so many samples of coal offered for testing, that individual cases cannot be distinctly remembered, and therefore less positiveness and more courtesy would be wiser in making such a denial. In the instance in question, it was the Cannelton Coal Company's coal which was repeatedly offered during 1872, and it was the President of the Trust himself who, after wearing out the patience of the parties offering it by repeated rebuffs, finally failed to keep a promise which he had made. When tested at the Manhattan Works it was found to yield 10,000 feet of  $64\frac{1}{2}$  candle gas to the gross ton, or 12,025 feet of  $45\frac{1}{2}$  candles, leaving 32 bushels of excellent coke, and establishing for itself in New York a market which it failed to secure in Philadelphia.

The Trust further seeks to justify itself for maintaining the monopoly of the Philadelphia market for the Westmoreland companies, by parading the fact that in 1869 it invited a bid from one concern on the Youghiogheny, which proved higher than Westmoreland offers; and that in February, 1873, it repeated the experiment with two West Virginia companies at a time of year when rates of transportation had not yet been fixed for the season, and then, without waiting or endeavoring to excite competition between the railroads, it sank back, exhausted by the effort, into the arms of its favorites—a Samson with shorn locks in the embrace of Delilah. As far as appears from its defence these are the only efforts made for years to protect the interests for which it professes to act as trustee.

To show how inexcusable was this submission to a virtual monopoly, your Committee stated that it had found without difficulty a responsible party willing to deliver Youghiogheny coal at \$6.35, to which the Trust, while carefully avoiding an offer to avail itself of the opportunity, feebly responds: "Perhaps the name of this perfectly responsible party could be furnished." The name can be furnished, and will be furnished, with many others, whenever the Trust will do its duty by advertising for proposals in a business way, with a pledge to purchase its supplies from the lowest and best bidders. That same party, moreover, if he had had the chance, would have gladly furnished supplies at the same price, \$6.35, during 1873, when the Trust was paying \$7.50, making a difference of \$1.15 per ton, or \$230,000 in 1873, and 65 cents per ton, or \$130,000 in 1874, being in all \$360,000 for the two years, of which the citizens of Philadelphia have been muleted by the gross improvidence of the Trust.

Your Committee finds, however, that not being fully acquainted with the

coal trade, it understated the case. On further examination into other sources of supply it finds that coal can be furnished even more cheaply than it asserted in the previous reports. An operator, well known as undoubtedly responsible, and furnishing coal of the best quality, in a letter now before your Committee, offers to lay it down at Locust Point, Baltimore, free on board, at \$5.10 per 2000 pounds. The freight from Baltimore to Philadelphia, your Committee learns, is \$1.00 per ton, including discharging, making \$6.10 in all. As the Trust pays \$7 at Market Street, and \$7.30 at Point Breeze, this would result in a saving of 90 cents and \$1.20 respectively, making an aggregate for the present year, supposing one-half to be used at each station, of \$210,000, which a simple advertisement for proposals would have saved on the contract with the Penn Gas Co., which the Trust considers so advantageous. When such profits are to be secured by somebody, is it any wonder that the gas-coal trade of Philadelphia is so jealously guarded as an inviolable monopoly? It will not do for the Trust to allege that it dislikes to receive coal by water in view of some possible trouble in altering its present arrangements for storage. It is willing to pay the Pennsylvania Railroad the extravagant price of 30 cents per net ton for the two or three miles between Market Street and Point Breeze, and its bills for hauling to the Spring Garden Works have never seen the light. When \$200,000 to \$300,000 per annum are to be saved, a few thousand dollars to be spent in accommodating the business would be immaterial.

That these statements are wholly unexaggerated can be demonstrated to the satisfaction of any mind less obtuse than that of a gas trustee. The Trust asserts that New York buys her coal, laid down in the yards of the gas works, for \$6.69. The Pennsylvania Railroad admits that it gives a drawback to the Westmoreland Companies, in order to be able to compete at New York with West Virginia coals. Now the freight on the latter from Baltimore to New York, as quoted in the trade journals, is \$1.90 by canal and \$2 by schooner, per gross ton, equal to \$1.70 and \$1.78 per net ton respectively. Therefore to reach the New York market, where it brings about 25 cents less than Westmoreland coal, West Virginia has to sell her coal at Baltimore for about \$4.75 per net ton, equal to \$5.75 in Philadelphia; showing that the Trust is paying for Westmoreland coals, at Market Street, \$1.25, and at Point Breeze \$1.55 more than it would have to pay for the best West Virginia coals.

Though usually considered to be less desirable than the West Pennsylvania coal, the Gas Trust pronounces these very coals to be "the best gas coals in the United States that have facilities to deliver their coal on the seaboard," and yet we have the extraordinary fact that these coals, though paying \$1.70 canal freight from Baltimore to New York, are sold there, according to the Trust, at 61 cents less than the Trust pays for what it states to be an inferior article, at Point Breeze, where the freight from

Baltimore would be only \$1; and further, that to meet the competition of these coals in the Eastern markets, Westmoreland coals are sold at Greenwich for \$1.72 less than the Trust pays at Point Breeze. With these facts staring us in the face, the Trust admits that for five years at least it has bought none but Westmoreland coals at the highest prices. To pronounce such conduct simple stolidity is a wide stretch of charity. It is not too much to assume that on the 300,000 tons bought in 1871 at \$6.70, the 200,000 in 1873 at \$7.50, and the 200,000 in 1874 at \$7, and adding for half of this the inexplicable charge of 30 cents additional to Point Breeze, amounting in all to about \$5,000,000—on these three contracts alone, there has been an absolute waste of the people's money, amounting to about \$800,000.

Like New York in the anthracite trade, the geographical advantages of our position force all the gas coals from Westmoreland, Youghiogheny, and West Virginia, in reaching eastern markets, to pass through Philadelphia. This is the point at which they first meet, and here should be the fiercest competition, yet here there is no competition, though New York, by encouraging competition, not only draws her supplies through our boundaries, but actually receives a bonus for the additional distance transported.

Even Provincial coals, though requiring more care in storing and working, might be employed to some extent, as they are in New York and Boston, to maintain a healthy competition. Your Committee is informed, on undoubted authority, that the best qualities could be laid down here, on the wharf, duty paid, with gold at 12 per cent. premium, for \$6.41 per gross ton, or \$5.73 per net ton in currency, thus saving \$1.27 at Market Street, and \$1.57 at Point Breeze.

It is worse than idle now for the Trust to talk of having invited one bid in 1869 and two bids in 1873 from the competitors of the Westmoreland Companies. As one of the largest buyers of gas coals in the country, it could have had competition from the British Provinces, from the Youghiogheny and from West Virginia. That it has not desired competition is proved by the simple fact that Philadelphia is not now, and has not been for years, a competing point in the gas coal trade. The Gas Trust could have kept it so, and even without appealing to the constitutional provision against adverse discriminations in railroad freights, the Trust could again make it so to-morrow by simply advertising, in good faith, for proposals. It has not chosen, and, from the tenor of its defense, your Committee regrets to perceive that it will not choose to do so.

### **Financial Condition of the Trust.**

The point of most immediate and pressing importance, out of which this whole discussion originated, is the position assumed by the Trust in demanding a new loan of a million of dollars, and in refusing, until this be granted, to furnish street mains, service pipes, and meters for new con-

sumers. By the arbitrary exercise of this power the Trust can very greatly embarrass the operations of builders, and can throw a serious obstacle in the way of improvement throughout the suburbs of the city, causing losses and distress among a large portion of our most industrious and deserving citizens. Your Committee is informed by a gentleman connected with the Trust, that there are at this moment four hundred houses awaiting the introduction of gas, and the number must be daily increasing; so that the financial and industrial embarrassment caused by the Trust must already be widespread, and must be constantly extending.

It is evident that a power such as this should only be exerted as a last resort under the dictates of the plainest necessity; and that when such action becomes imperative, the body wielding the power should be able and willing to show that its acts are unavoidable, and not arbitrarily oppressive for the purpose of accomplishing an ulterior object through the distress which it thus can cause. In this point of view the position of the Gas Trust is singularly indefensible.

Your Committee, in its first report, quoted certain figures from the last annual report of the Trust, showing that it must have, or ought to have at its disposal, at least as much money for extensions as it expended last year in meeting all reasonable demands of the public for street mains and service pipes. Those figures the Trust has not controverted, nor even attempted to dispute. It does not pretend to defend itself, but simply maintains a dogged silence, apparently determined to create, if possible, sufficient distress to force Councils to grant its demands.

The state of facts thus tacitly admitted to be true, may be briefly stated as follows: Last year the Trust made no complaint of want of funds, and was not in want, for it spent but little more than half of the remaining balance of its last loan, No. 15. It built what extensions were necessary, laying about twenty miles of street mains and 4751 services and meters, at a net cost of \$227,514.47, of which \$86,100 was derived from sales of loan No. 15, and the balance, \$141,414.47, together with \$8194.42 spent on the works themselves, from the profits of its operations during the year. Now these profits, after providing for interest and sinking funds, amounted, according to the Report, to \$305,758.53, leaving \$156,149.64 still available from last year's profits to be expended this year, besides \$72,700 the remaining unsold balance of loan 15; thus showing available funds from last year's business, of \$228,849.64. Thus even if the Trust were to make no profits whatever during 1874, and if there had been no falling off in the prices of materials and labor, it ought to have on hand sufficient means to lay another twenty miles of street mains and set nearly five thousand service pipes and meters.

To find where this unexpended profit of 1873 is, we need only contrast the movable property of the Trust, as shown in its balance sheets for January 1, 1873 and 1874. Condensing these as accurately as the some-

what confused statements will permit, we find them substantially as follows:—

	Jan. 1, 1873.	Jan. 1, 1874.
Cash, warrants, coal, etc., on hand, and debts due to the Trust . . . .	\$989,415.34	\$1,328,129.46
Less bills payable and debts due by the Trust . . . . .	426,832.45	605,044.60
Balance of available assets	<u>\$562,582.89</u>	<u>\$723,084.86</u>

Showing that the present year started with \$160,501.97 more of available assets than 1873—assets which were either cash or speedily to be turned into cash.

But this is not all. According to the statements of the Trust, it is paying for coal this year half a dollar per ton less than last year, and as the consumption is not less than 200,000 tons per annum, there ought to be \$100,000 more available from this decreased expenditure in 1874 than there was in 1873. Supposing then that in other respects the business of the Trust should be barely as profitable in 1874 as it was in 1873, we shall find the following resources at its disposal for enlargement of the works, and extensions of street mains and service pipes:—

Balance of profits of 1873 . . . . .	\$156,149.64
Balance of loan 15 unexpended, January 1, 1874 . . . . .	72,700.00
Profits of 1874, same as 1873 . . . . .	305,758.53
Saving in cost of coal . . . . .	100,000.00
	<u>§634,608.17</u>

Thus, if the figures of the Trust are to be depended upon, it could expend without imprudence during 1874 about \$625,000 on permanent improvements—a sum two and three-quarter times as large as it laid out during 1873 in supplying all demands created by the legitimate growth of the city.

Either it has this money in its hands, or it has not. If it has, it should prosecute its duty of furnishing extensions. If it has not, it should show where the money has gone. At present it does neither, but confines itself to the endeavor to extort by force the loan which it demands.

It condescends to argue, indeed, in favor of an entirely distinct matter—its plan to build another gas works in the northern part of the city—and it presents a confused array of figures to show the increase of its operations since 1864. All this may be true and another station may be necessary, but it is a matter to be maturely considered and not to be carried by surprise, as were the new Ninth Ward Works. Plans for such an enterprise can hardly be ready, for no allusion was made to them in the Annual Report issued last January, and if a new station is wanted there may be other ways of providing for it than by creating a new loan. We have just seen that there should be over \$630,000 available funds at the disposal of the Trust during 1874, of which \$228,000 would furnish all the street

extensions likely to be called for. This would leave over \$400,000 to be devoted to the new works, quite as much as could properly be expended during the remainder of this year. We have also shown that it would be easy for the Trust to save more than \$1.00 per ton on its coal, if it would purchase as ordinary business establishments do, thus placing \$200,000, in addition to its ordinary revenues, at its disposal next year. Thus even under its present political management it can readily furnish all the facilities required by the growth of the city, without plunging deeper into debt. If it will not voluntarily adopt this policy, it must be compelled to it by an absolute refusal to create additional loans.

In prosecuting this disagreeable task, your Committee has earnestly sought to avoid committing injustice, expressed or implied, to the Gas Trust. If it has unwittingly done so, the reason is to be found in the persistent reticence with which the Trust has sought to keep the details of its operations concealed from public knowledge.

All of which is respectfully submitted,

HENRY C. LEA,

*Committee.*

